

## Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AGR-05 FEA-00 SP-02 AID-05

EB-07 NSC-05 RSC-01 CIEP-01 TRSE-00 SS-15 STR-01

OMB-01 CEA-01 CIAE-00 INR-07 NSAE-00 COME-00 FRB-01

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 8024

INFO AMEMBASSY MOSCOW

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USCINCSO FOR POLAD

E.O. 11652:GDS

TAGS: EPAP, ENRG, ETRD, EEW, UR, UY

SUBJECT: POSSIBLE SOVIET-URUGUAYAN TRADE AGREEMENT

REF: CERP 0002; MVD A-175 (NOTAL)

1. THE GOU ANNOUNCED JANUARY 11 THAT A TRADE MISSION FROM THE USSR, COMPRISED OF TWO VETERINARIANS AND ONE TRADE SPECIALIST, WILL COME TO URUGUAY DURING JANUARY TO INSPECT THE SANITARY CONDITIONS AT LOCAL MEAT-PACKING PLANTS AS A PRELUDE TO A POSSIBLE TRADE AGREEMENT.

2. THE USSR HAS NEVER IMPORTED BEEF FROM URUGUAY, AND THE GOU'S ATTEMPTS TO MARKET BEEF THERE DURING THE LATTER HEDS OF 1974 FLOUNDERED BECAUSE OF AN INABILITY TO AGREE ON TERMS (SEE REFAIR); HOWEVER, GOVERNMENT SOURCES HAVE TOLD US INFORMALLY THAT AN AGREEMENT IS NOW CLOSE FOR 50,000 METRIC TONS. THE PRICE IS SAID TO BE LOWER THAN THE GOU WOULD LIKE, AND THE SALE MAY BE LINKED TO PURCHASES OF SOVIET PETROLEUM AND HYDROELECTRIC TURBINES. (NOTE: URUGUAY'S PORTION OF DEBT TO USSR FOR TURBINES

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ON SALTO GRANDE PROJECT IS ABOUT US \$30 MILLION.)

3. URUGUAY HAS SOME DIFFICULT SHORT-RUN PROBLEMS IN BEEF MARKETING. IT DOES NOT HAVE THE RANGE CAPACITY TO MAINTAIN CURRENT CATTLE HERDS, WHICH INCREASED FROM 8.5 MILLION HEAD IN 1970 TO 11.3 MILLION IN 1974, AND MUST SLAUGHTER OR EXPORT ON-THE-HOOF AT LEAST 2 MILLION HEAD. THIS WOULD YIELD EXPORTABLE SURPLUS OF ABOUT 250,000 MT OF BEEF. UNOFFICIAL AND PRELIMINARY DATA SHOW 1974 EXPORTS TOTALLED ABOUT 102,000 MT COMPARED WITH 98,000 MT IN 1973. THIS EARNED US \$135 MILLION IN 1974 AGAINST 119 MILLION IN 1973.

4. A NATIONAL MEAT BOARD OFFICIAL HAD ESTIMATED TO US THAT URUGUAY'S EXPORT PROSPECTS FOR 1975 ARE ABOUT 100,000 MT (50,000 TO BRAZIL, 15,000 TO SPAIN, 10,000 TO THE EEC, 5,000 TO GREECE, 5,000 TO ISRAEL, 15,000 TO OTHER COUNTRIES). A SOVIET PURCHASE OF 50,000 MT WOULD BE OF GREAT HELP IN AIDING URUGUAY TO OVERCOME ITS SHORT-RUN ECONOMIC DIFFICULTIES.

5. IMPORTS OF SOVIET CRUDE OIL WOULD SOLVE THE GOU'S PETROLEUM SUPPLY PROBLEMS AS IMPORTS UNDER A CONTRACT SIGNED WITH BRITISH PETROLEUM IN JUNE 1974 HAVE ENDED, AND GOU HAS EXPRESSED NO INTEREST IN OFFERS MADE BY ESSO AND TEXACO TO SUPPLY URUGUAY'S NEEDS.

6. THE USSR LAST EXPORTED PETROLEUM TO URUGUAY IN 1966 AND IN 1960 SUPPLIED ABOUT 20 PERCENT OF URUGUAY'S OIL IMPORTS. SMALL AMOUNTS WERE ALSO PROVIDED IN 1959 AND 1961.

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